



Meeting New Requirements of Electrical Distribution and Control

Square D Company

Executive Offices

Executive Plaza, Park Ridge, Illinois 60068
(Incorporated in State of Michigan 1903)

Annual Meeting

Fourth Tuesday in April

Capital Stock Listing (SQD)

New York Stock Exchange

Transfer Agents

National Bank of Detroit
220 W. Congress Street
Detroit, Michigan 48226

Morgan Guaranty Trust Company of New York
23 Wall Street
New York, New York 10015

Registrars

The Detroit Bank & Trust Company
Detroit, Michigan 48231

Bankers Trust Company
New York, New York 10015

Shareholders of Record

21,200

Employees, Worldwide

14,300

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in Electrical Distribution & Control
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Inside Back Cover—Operations

Cover

Photos depict some of the markets for
several of the many new products
introduced by Square D in 1971.
Information concerning these and other
markets and products begins on page four
of this report.

**Summary of Operations**

(000 Omitted)

1971**1970****Sales****\$276,372****\$279,888****Net Earnings**

Before Taxes

58,732**53,786**

After Taxes

30,227**27,030**

Per Sales Dollar

.11**.09**

Earnings Per Share

1.32**1.18****Dividends Declared (Cash)**

Total

21,631**20,417**

Per Share

.95**.95****Working Capital****96,605****94,718****Property, Plant and Equipment**

Net Value—December 31

45,984**41,837**

Gross Additions

7,584**9,616**

Depreciation

3,668**4,861****Shareholders' Equity—December 31**

Total

146,298**137,312**

Per Share

6.38**6.00**

Note: Amounts for 1970 have been restated to reflect 1971 poolings of interests.

To Our Shareholders



1971 was a very trying year but also a year of accomplishment for Square D. A substantial improvement in net income was recorded primarily as a result of intensified cost reduction programs. Facilities were expanded for growing requirements and a number of management changes were instituted.

Consolidated net earnings for the year ended December 31, 1971, totalled \$30,277,509, or \$1.32 per share, compared to \$27,030,495, or \$1.18 per share in 1970.

Consolidated net sales amounted to \$276,372,241, compared to volume of \$279,888,319 in the previous year.

Results in 1971 include the operations of Sorgel Electric Corporation, Bell Electric Company and Ferro Fabricating Company, Inc., on a pooling of interests basis. Results for 1970 have been restated to include Sorgel, Bell and Ferro.

Expansion Efforts

A majority of economists are estimating a substantial increase of real growth in GNP in 1972. Square D anticipates an increase in the general economy and in its markets, and has been taking actions to supply its anticipated rise in orders, as indicated in the following.

During the year, the Company purchased certain assets of Fullman Manufacturing Company, Latrobe, Pa. including product lines of adjustable and non-adjustable floor boxes, telephone and electrical service fittings and conduit hangers used in commercial building construction. These items represent extensions of existing Square D product lines.

Production of circuit breakers was started in the manufacturing plant in Lincoln, Nebr. Additions were made to manufacturing plants in Asheville, N.C., Leeds, Ala., and Birmingham, Ala. Also a new 56,000-square-foot service center was opened in Atlanta, Ga.

Other expansion projects announced in 1971 consisted of the purchase of 60 acres of land in Raleigh, N.C., as the site for a 286,000-square-foot manufacturing plant and purchase of 80 acres of land in Columbia, S.C., as the site of a 290,000-square-foot manufacturing plant. Both facilities will produce electrical control apparatus. A third project is the addition to the Asheville plant, bringing total floor space there to more than 269,000 square feet.

1971 was also one of the most active years for introduction of new products. Information concerning some of these products is presented elsewhere in this report.

International activities of the Company were expanded by creation of three new organizations to enter markets where Square D products had not been previously sold or had only a minor market position. One was Square D Company Ireland Limited in Ballinasloe, Irish Republic, to manufacture distribution equipment for the European market. Another was Versamex S.A. de C.V., organized by Square D de Mexico, S.A., to make electrical connectors and related products. The third new organization is Square D Company (Philippines), a joint venture of Square D Company and Connell Bros. Co. Ltd., based in Manila to assemble distribution equipment for the Philippine market.

Also during the year, a 58,000-square-foot addition was completed at the manufacturing plant in Swindon, England; and a 19,000-square-foot addition was built to the Stratford, Canada, plant.

Management Changes

Some changes in management were made in 1971 to provide greater coordination of related activities.

In marketing, R. E. King was promoted to Vice President—Products, and L. J. Murrans and C. R. Thompson, Eastern and Western Area Sales

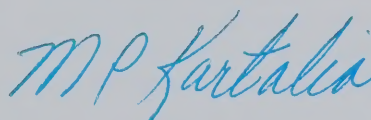
Managers respectively, were elected Commercial Vice Presidents. Other Commercial Vice Presidents elected in 1971 were Regional Marketing Managers E. R. Beck, R. L. Daggy, R. A. Hegeman, G. R. Hunter, W. D. Smiley and S. T. Walz.

In manufacturing, a new General Purpose Control Division was organized and John Daniel, formerly manager of the Asheville plant, was named Division Manager with responsibilities for manufacturing plants in Asheville, Raleigh and Columbia.

In the Distribution Equipment Group, operations were aligned into two divisions. One is the Distribution Equipment Division, managed by Roger A. Sackett, formerly manager of the Cedar Rapids, Ia. plant, and headquartered in Lexington, Ky.; the other is the Circuit Breaker Division, headed by C. W. Denny III, formerly manager of the Barkelew plant in Middletown, Ohio, and headquartered in Cedar Rapids.

At the Annual Meeting in 1971, shareholders approved expansion of the Board of Directors of the Company from 14 to 15 members. John H. Schuler, Chairman of the Board of Anderson Electric Corporation, was elected to fill this position.

Prospects for continuing growth of Square D business appear to be favorable at the present time and we look forward to improvement in our operations during 1972.



M. P. Kartalia
President

March 10, 1972

Meeting New Requirements in Electrical Distribution and Control

During 1971, the construction, industrial and utility markets served by Square D Company continued to undergo changes in anticipated demand of product volume and also in contemporary requirements of product performance.

To meet increasing volume requirements in the years ahead, Square D added 336,000 square feet of production, warehousing and office space to domestic operations in 1971 and announced plans to construct another 640,000 square feet of floor area in 1972. When these new projects are completed, total floor space in U.S. operations will amount to 4,600,000 square feet, of which 25 percent will be less than three years old.

This building program is based upon current requirements and projections of increasing market demand during the 1970s. Forecasts of expected growth in four primary markets for Square D products are shown on the next page.

During 1971, the construction market for Square D equipment showed signs of improvement. Early in the year, construction of new homes, apartments and other types of residential buildings began its long-awaited surge upward, increasing demand for a wide range of Square D products, particularly distribution equipment. In nonresidential construction, product innovations enabled Square D to improve its position in many markets. Examples were increased installations of Square D adjustable speed controls in sewage treatment plants, and expanded requirements for Sorgel Electric isolating panels in hospitals.

In industry, new lines of Square D control products and intensified marketing efforts resulted in substantial new business in systems. In the electric utility market, demand for electric power reached record levels and utilities continued work on huge expansion projects, many requiring the types of products made by Anderson Electric Corporation, a wholly-owned subsidiary of Square D.

In these markets Square D products satisfy contemporary requirements in equipment performance. To do this, changing user requirements are designed into new products in the Company's research and development programs. As a result, present lines of equipment meet or exceed current standards of equipment performance in both new and existing applications. Highlights of Square D product activity in 1971 begin on page 6 of this report.

Notice of Annual Meeting of Shareholders and Proxy Statement
of
SQUARE D COMPANY

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

April 27, 1971

The annual meeting of the shareholders of Square D Company, a Michigan corporation, will be held at the principal office of the Company, 205 South Northwest Highway, Park Ridge, Illinois, on Tuesday, April 27, 1971, at 10:00 A.M. Central Daylight Time.

In addition to a proxy for the meeting, a proxy statement is enclosed. The purposes of the meeting are as follows:

- (1) To consider and act upon a proposal to amend Section 2 of Article III of the By-laws to increase the number of Directors from 14 to 15.
- (2) To elect a board of directors for the ensuing year and until their successors shall have been elected and shall qualify (the number of directors to be elected will be 15 if the proposed by-law amendment is adopted and 14 if it is not).
- (3) To consider and act upon any other matters which may properly come before the meeting or any adjournments thereof.
- (4) To receive reports of the management for the last fiscal year.

Any action may be taken on any one of the foregoing proposals at the meeting on the date specified above or any date or dates to which, by original or later adjournment, the meeting may be adjourned. Shareholders of record March 22, 1971 are the shareholders entitled to vote at this meeting, and any adjournment thereof.

You are requested to date and sign the enclosed form of proxy which is solicited by the management and to mail it promptly in the enclosed envelope. Shareholders who execute proxies retain the right to revoke them at any time prior to the voting thereof.

E. R. FOWLER
Secretary

Dated: Park Ridge, Illinois
March 22, 1971

PROXY STATEMENT

Annual Meeting of Shareholders—April 27, 1971

This statement is furnished in connection with the solicitation of proxies by the management of Square D Company (hereinafter called the "Company") to be used at the annual meeting of shareholders of the Company (hereinafter called the "meeting"), which will be held at 10:00 A.M. Central Daylight Time, Tuesday, April 27, 1971, at the principal office of the Company, 205 South Northwest Highway, Park Ridge, Illinois, and any adjournments thereof.

Shareholders who execute proxies retain the right to revoke them at any time prior to the voting thereof by giving notice to the Company in writing or in the open meeting. Unless so revoked, the shares represented by such proxies will be voted at the meeting and any adjournments thereof. Where a shareholder specifies a choice by means of the ballot provided in the proxy, his shares will be voted in accordance with such specification; but in the absence of such specification, a proxy will be voted in favor of increasing the number of Directors to 15 and in favor of the election of the slate of Directors as named herein.

PROPOSED INCREASE IN BOARD OF DIRECTORS

It is proposed that Section 2 of Article III of the By-laws be amended to increase the number of Directors from fourteen (14) to fifteen (15), and that Mr. John H. Schuler be elected to fill the vacancy on the Board which would be created by such amendment. This will satisfy a commitment to elect Mr. Schuler to the Board of Directors of the Company when an appropriate vacancy occurred, but in no event later than April 1971. This commitment was undertaken by the Company in connection with its acquisition in April 1970 of Anderson Electric Corporation of which Mr. Schuler is presently Chairman of the Board. For further information regarding Mr. Schuler, see "Election of Directors" below. Under the General Corporation Law of Michigan, the Company's corporate domicile, and under the existing By-laws, the affirmative vote of the holders of a majority of the outstanding shares of Common Stock of the Company is required to effect such amendment to the By-laws.

ELECTION OF DIRECTORS

If the above proposal to amend the Company's By-laws is approved, fifteen directors will be elected at the meeting to serve for the ensuing year and until their successors shall have been elected and shall qualify. It is intended that the persons named in the enclosed form of proxy will vote for the election of the following named persons (hereinafter called "nominees"). If the proposal is not approved, fourteen directors will be elected, in which event the persons named in the enclosed form of Proxy will vote for the election of all of the nominees except Mr. Schuler.

Name of Nominee	Principal Occupation and Other Office Held with Company	Has Served as Director Since	Shares of Common Stock Beneficially Owned at February 28, 1971
H. R. Boyer	Retired, former officer, General Motors Corporation	11/14/45	3,530
James H. Burns	Vice President, Personnel Relations	4/26/66	7,023(2)
Paul A. Christenson	Vice President, Manufacturing	3/2/65	11,790(3)
Allan D. Emil	Partner, Rosenman, Colin, Kaye, Petschek, Freund and Emil, New York. Attorneys	3/19/40	40,000
Mitchell P. Kartalia	President	4/23/63	14,703(1)
Walter J. Kohler	Chairman of the Board, The Vollrath Company, Sheboygan, Wisconsin. Stainless Steel Products	12/2/59	4,800
Lynford Lardner, Jr.	Partner, Foley & Lardner, Milwaukee, Wisconsin. Attorneys	2/27/52	8,400(4)
James H. Lorie	Professor of Business Administration, University of Chicago, Chicago, Illinois	4/23/68	500
L. G. Maehtlen	Former Chairman of the Board of the Company	4/24/51	41,789(1)
James F. Magin	Vice President, Planning and Physical Distribution	2/27/52	76,372(1)(5)
Grant McDonald	Vice President, Group Manager	12/2/69	2,600(6)

Name of Nominee	Principal Occupation and Other Office Held with Company	Has Served as Director Since	Shares of Common Stock Beneficially Owned at February 28, 1971
Graham J. Morgan	Chairman of the Board, United States Gypsum Company, Chicago, Illinois. Building Materials	4/24/62	600
T. R. Oakes	Former Vice President, Secretary-Treasurer of the Company	4/25/61	18,120(1)
Andrew L. Pontius	Retired, former President, Powers Regulator Company	3/4/69	100(6)
John H. Schuler	Chairman of Board of Directors, Anderson Electric Corporation, a wholly owned subsidiary	—	193,884(1)(7)

- (1) Amounts reported do not include common stock owned by wives of the following directors, beneficial ownership of which is disclaimed: M. P. Kartalia, 387 shares; L. G. Maechtlen, 4,710 shares; J. F. Magin, 1,600 shares; T. R. Oakes, 1,200 shares and J. H. Schuler, 1,621.
- (2) Includes 7,014 shares held jointly with wife.
- (3) Includes 4,827 shares owned by wife.
- (4) Does not include 1,800 shares held in trust or as custodian for the children of Lynford Lardner, Jr. beneficial ownership of which is disclaimed by Mr. Lardner.
- (5) Does not include 150,420 shares of common stock of the Company which J. F. Magin holds as a fiduciary of certain trusts and an estate in which he or members of his family have a beneficial interest. Mr. Magin has no beneficial interest in 91,550 of such shares.
- (6) Shares held jointly with wife.
- (7) Includes 161,890 shares which Mr. Schuler holds as a co-trustee of certain trusts in which he has a one-half vested beneficial remainder interest, and 1,437 shares owned outright by and in trust for Mr. Schuler's minor children. It does not include 55,265 shares owned of record by John H. Schuler as executor of the estate of Robert E. Schuler, Deceased, in which estate Mr. Schuler has a one-half beneficial remainder interest.

All of the nominees were previously elected by the shareholders and served as directors during 1970 except John H. Schuler. Mr. Schuler has been employed by Anderson Electric Corporation, Leeds, Alabama since 1952. Anderson Electric Corporation is engaged principally in the designing, manufacturing and selling of aluminum and bronze connectors and other hardware items for electrical distribution facilities. He was elected Executive Vice President of that company in 1959 and became President in 1966. Mr. Schuler was elected Chairman of the Board of Anderson in 1969. The Company acquired Anderson Electric Corporation in exchange for 781,875 shares of the Company's common stock. As beneficial owner of approximately 24.7% of Anderson Electric Corporation common stock, Mr. Schuler received approximately 193,000 shares of the Company's common stock on a basis no more favorable than any other Anderson Electric Corporation stockholder.

Each nominee has consented to be named in the Proxy Statement and to serve as a director if elected. Management has no reason to believe that any of the nominees listed will not be available to serve; but if any nominee should be or become unable or unwilling to serve, the shares represented by management proxies will be voted for the election of such other person as director instead of such nominee, as the Board of Directors may recommend.

REMUNERATION DATA

The following information is submitted for the year 1970 on an accrual basis with respect to each director, and each of the three highest paid officers of Square D Company, whose direct aggregate remuneration from Square D Company and its subsidiaries exceeded \$30,000, and as to all directors and officers as a group:

Name of Individual, Title and Capacity in Which Remuneration was Received	Aggregate Remuneration	Estimated Annual Pension on Retirement(1)
M. P. Kartalia, President	\$165,000	\$45,116
P. A. Christenson, Vice President, Manufacturing	60,000	20,800
J. H. Burns, Vice President, Personnel Relations	57,500	23,991
Grant McDonald, Vice President, Group Manager	54,600	22,036
J. F. Magin, Vice President, Planning and Physical Distribution	50,400	25,662
All Directors and Officers as a Group (22 persons)	752,025	

New Safeguards in Equipment



Interrupting Ground Faults

The new Square D Qwik-Gard™ circuit breaker is the first device of its type in the electrical industry designed to interrupt potentially fatal ground faults which can occur on electrical circuits in homes, apartments, farms, offices and factories. Ground faults are leakages of electricity from its normal path in an electrical circuit to an unintended path to ground and result from defects in electrical equipment or accidental misuse of equipment in proper operating condition.

Equipped with miniature "space age" electronic components, the Qwik-Gard circuit breaker meets new standards for ground fault interruption on circuits serving swimming pools, boatyards, construction sites and other types of installations. The new breaker is interchangeable with Square D QO circuit breakers and can be readily substituted in presently installed Square D load centers and panelboards.

Another contemporary requirement concerns ground fault interruption in electrical service equipment commonly installed in high rise office and apartment buildings and industrial facilities. A new Square D relay detects ground faults of significant size and duration and opens the appropriate switch or circuit breaker to turn off power to the affected circuit. This reduces the possibility of fire caused by a ground fault.

Keeping Rain Out

RaynTite™ product line of Bell Electric Company, a wholly-owned Square D subsidiary, is the first in the industry to get the weatherproof rating of Underwriters Laboratories with the cover of the device in both the open and closed positions. A breakthrough in the weatherproof device market, RaynTite covers and boxes have particular application on mobile homes and camper trailers, as well as in outdoor residential and industrial installations. The RaynTite cover is most attractive in appearance and can be readily substituted for presently installed horizontal outside covers.



Improving Motor Protection

Increased electrical protection for common types of three phase motors used in industrial and commercial applications is achieved in a basic line of Square D magnetic starters completed in 1971. Devices include new provisions for protecting all three phases of power used in motor operation. Should a malfunction occur, power to the motor is turned off, preventing possible overheating and fire damage.



Keeping Lights On

In 1971, Square D developed a unique key-operated circuit breaker for circuits to emergency and exit lights in institutional, commercial and industrial buildings. To prevent accidental or unauthorized operation of the circuit breaker, the regular circuit breaker handle was replaced with a mechanism requiring a special key to turn the device on and off.

Isolating Power Safely

New safeguard requirements in the use of electricity in hospitals are met by isolating panels manufactured by Sorgel Electric. During 1971, many new accessories were added to this product line, making it more versatile in operating and X-ray rooms and intensive care areas. Also during the year, this Square D subsidiary provided electrical isolation equipment for one of the country's first open heart surgery rooms to be equipped with this new type of sophisticated product.



Contemporary Trends in Application



Helping Nature Survive

Adjustable speed drive controls developed by Square D Company primarily for municipal and industrial sewage and water treatment plants were adapted to a new and unique use in 1971—that of pumping salt water into an ocean bay. The installation, at the northern end of the Back Bay near Virginia Beach, Va., replaced experimental facilities that successfully demonstrated the feasibility of pumping water from the Atlantic Ocean into the Back Bay to bring the amount of salt in the water to former levels. As a result, fish and other marine life have returned and commercial fishing and crabbing has been restored in the Bay. In this unusual effort to keep nature in ecological balance, Square D controls contribute to a significant reduction in pumping costs.

Making Components Smaller

The trend toward automation is accompanied by requirements for smaller components and devices, particularly on machine tools. Square D in 1971 introduced new lines of miniature push buttons and pilot lights designed for maximum utilization of space on industrial control and indicator panels.



Moving Materials Easier

For many years, walk-along trucks for materials handling operations were limited to two speeds—fast and slow. This was unsatisfactory when truck loads were unbalanced or where trucks were used on uneven floors and ramps. The Square D solution: a variable speed control which enables the operator to adjust the speed of the truck to immediate load and floor conditions by simply twisting the handle of the truck. One of the first controls of its type in the industry, Trucpak® equipment uses new electronic devices to achieve compact size and maximum reliability of operation.



Using Wood Resources Efficiently

In 1971, Square D engineers designed a Norpak® control system to fully automate saw mills handling the small logs formerly scrapped in lumber operations. In the Square D system, small logs are measured, the best utilization of wood in the log is instantly determined and the log then is cut into useable pieces of lumber. Completely automatic, the system is the largest Norpak installation built by the Company, and is a further extension of the Company's business in the process control field.

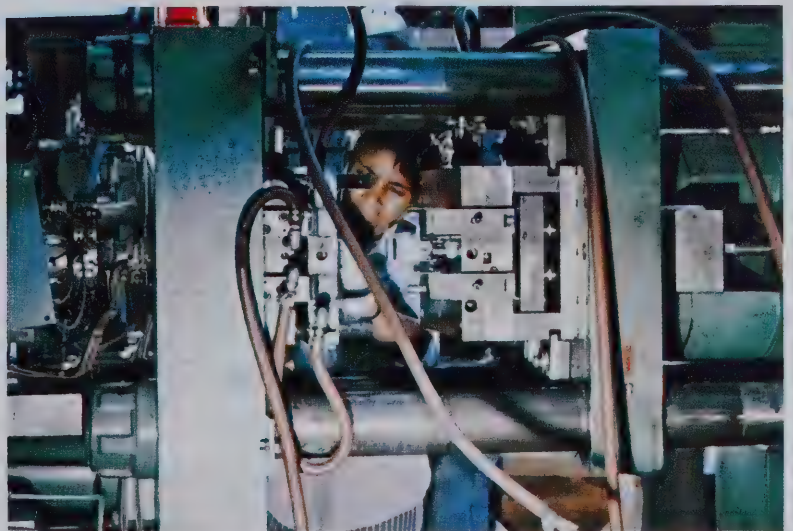


Processing Metal Scrap Faster

A new line of Square D magnet controllers for metal processing plants and scrap yards eliminates one inefficient aspect of magnet use—manual adjustment of power required to drop a load from the magnet. A new little "black box" in the controller now makes this adjustment instantly and automatically, reducing the time required to handle junk cars and other types of scrap metal.

Molding Plastics Automatically

New Square D Plastapak™ controllers for plastic molding machines provides accurate measurements and automatic control of critical time, temperature and pressure operations. Ease of programming and use of new solid state relays and programmable limit switches are among key features adding reliability and versatility to the Plastapak system.



Square D Company and Consolidated Subsidiaries

Consolidated Balance Sheet

	December 31	
	1971	1970
Assets:		
Current Assets:		
Cash	\$ 5,023,137	\$ 6,124,244
Marketable securities, at cost (approximates market) ..	26,130,099	16,064,217
Receivables, less allowances for losses, adjustments and discounts (1971—\$842,562; 1970—\$877,987) ...	35,844,094	32,449,277
Inventories, at the lower of cost (primarily last-in, first-out method) or market	66,577,215	71,396,660
Insurance and other prepaid expenses	1,361,884	1,219,834
Deferred income taxes	959,221	1,051,615
Total Current Assets	135,895,650	128,305,847
Property, Plant and Equipment, at cost:		
Land	2,962,302	3,042,635
Buildings and land improvements	42,720,472	39,763,400
Equipment	47,122,222	42,497,347
	92,804,996	85,303,382
Less accumulated depreciation (Note B)	46,820,944	43,465,685
	45,984,052	41,837,697
Investments In Unconsolidated Foreign Affiliates, at cost (Note A)	2,799,594	2,799,594
Other Assets	2,552,840	2,362,420
	\$187,232,136	\$175,305,558
Liabilities and Shareholders' Equity:		
Current Liabilities:		
Notes payable	\$ 911,914	\$ 1,201,840
Current maturities of long-term debt	1,116,000	758,068
Accounts payable and accrued expenses	20,665,014	18,257,074
Income taxes	8,572,864	5,862,644
Dividend payable January 3	8,024,659	7,508,292
Total Current Liabilities	39,290,451	33,587,918
Long-Term Debt, 5% to 8¾%, due on various dates to 1987	933,423	4,405,745
Deferred Income Taxes	710,138	
Shareholders' Equity:		
Capital stock (Notes A and C)	38,212,664	38,163,610
Additional paid-in capital	10,131,799	9,790,513
Retained earnings	97,953,661	89,357,772
Total Shareholders' Equity	146,298,124	137,311,895
	\$187,232,136	\$175,305,558

See notes to consolidated financial statements.

Consolidated Statement of Net Earnings

	Year Ended December 31	
	1971	1970
Revenues:		
Net sales	\$276,372,241	\$279,888,319
Dividends and engineering fees from unconsolidated foreign affiliates	1,603,623	1,498,878
Interest and miscellaneous	1,945,044	1,362,930
	279,920,908	282,750,127
Costs and Expenses:		
Cost of products sold	180,623,099	188,233,790
Selling, service, administrative and general	40,116,985	40,012,375
Interest	448,561	717,897
	221,188,645	228,964,062
Earnings before Income Taxes	58,732,263	53,786,065
Provision for Income Taxes		
including deferred taxes of \$1,086,585 (1971) and \$318,210 (1970)	28,504,754	26,755,570
Net Earnings (Note B)	\$ 30,227,509	\$ 27,030,495
Net earnings per share based on weighted average number of shares outstanding during the year	\$ 1.32	\$ 1.18

Consolidated Statement of Changes in Financial Position

Source of Funds:

Operations:		
Net earnings	\$ 30,227,509	\$ 27,030,495
Depreciation	3,668,566	4,861,509
Deferred income taxes	1,086,585	318,210
Total from operations	34,982,660	32,210,214
Decrease in inventories	4,819,445	(5,366,745)
Increase in income taxes payable	2,710,220	(2,672,367)
Increase in accounts payable and accrued expenses ...	2,407,940	(760,815)
Exercise of stock options	524,683	
Increase in dividend liability	516,367	268,792
Disposal of property, plant and equipment	228,114	88,762
Long-term debt incurred		475,000
	\$ 46,189,429	\$ 24,242,841

Use of Funds:

Dividends to shareholders	\$ 21,631,620	\$ 20,417,159
Increase in cash and marketable securities	8,964,775	(5,899,590)
Additions to property, plant and equipment	7,584,524	9,615,867
Increase in receivables	3,394,817	(1,938,703)
Payments on long-term debt	3,114,390	883,731
Decrease in notes payable	289,926	326,176
Miscellaneous	1,209,377	838,201
	\$ 46,189,429	\$ 24,242,841

See notes to consolidated financial statements.

Square D Company and Consolidated Subsidiaries

Consolidated Statement of Shareholders' Equity

	Common stock—\$1.66 $\frac{2}{3}$ par value, 30,000,000 shares authorized		Additional Paid-in Capital	Retained Earnings
	Shares	Amount		
Preferred Stock—6,000,000 shares authorized, none issued				
Balance, January 1, 1970, as originally reported	20,611,096	\$ 34,351,828	\$ 9,340,693	\$ 73,874,986
Pooling adjustment	2,275,431	3,792,384	830,387	8,869,450
Balance, January 1, 1970, adjusted	22,886,527	38,144,212	10,171,080	82,744,436
Issuance of stock (pooled company)	23,798	39,665	60,855	
Net earnings				27,030,495
Cash dividends:				
Square D Company (\$.95 per share)				(20,166,947)
Pooled companies prior to pooling				(250,212)
Redemption of stock (pooled company)	(12,160)	(20,267)	(247,253)	
Merger expenses			(194,169)	
Balance, December 31, 1970	22,898,165	38,163,610	9,790,513	89,357,772
Exercise of stock options	29,433	49,054	475,629	
Net earnings				30,227,509
Cash dividends (\$.95 per share)				(21,631,620)
Merger expenses			(134,343)	
Balance, December 31, 1971	22,927,598	\$ 38,212,664	\$ 10,131,799	\$ 97,953,661

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Two years ended December 31, 1971

	1971	1970
Investments at December 31—		
at cost	\$ 2,799,594	\$ 2,799,594
Square D equity in:		
Net assets at		
December 31	11,466,050	11,033,854
Net earnings		
for the year	1,346,713	2,177,158
Dividends paid		
during the year	948,137	917,198
Undistributed earnings		
for the year (net of		
estimated taxes)	455,499	1,037,667

A. Principles of Consolidation:

The consolidated financial statements include the accounts of Square D Company and its wholly-owned subsidiaries. Following is information pertaining to affiliated companies, which are not consolidated:

In accordance with Opinion #18 of the Accounting Principles Board of the American Institute of Certified Public Accountants, the Company will restate its financial statements in 1972 and subsequent years to reflect its equity in earnings of unconsolidated affiliates.

The consolidated financial statements include for both years the accounts of companies combined with Square D Company in transactions accounted for as poolings of interests:

	Year Combined	No. of Shares of Square D Common Stock Issued
Ferro Fabricating Company, Inc.	1971	83,900
Sorgel Electric Corporation	1971	1,072,443
Bell Electric Company, Inc.	1971	354,680
Anderson Electric Corporation	1970	781,875

Unaudited revenues and net earnings of these companies for the period preceding the combinations which are included in financial results for the years ended December 31, 1971 and 1970 are:

	1971	1970
Revenues	\$6,319,438	\$27,853,289
Net earnings	559,210	2,057,279

Revenues and net earnings previously reported for the year ended December 31, 1970 are restated as follows:

	Revenues	Net Earnings
As previously reported	\$262,213,838	\$25,287,216
Pooled companies	20,536,289	1,743,279
As restated	<u>\$282,750,127</u>	<u>\$27,030,495</u>

B. Depreciation:

Effective January 1, 1971, the Company and its domestic subsidiaries changed for financial reporting purposes from accelerated depreciation methods for substantially all fixed assets to the straight-line method. Accelerated methods will continue to be used for tax purposes. This change had the effect of increasing net earnings for the year ended December 31, 1971 by \$1,117,000 or five cents per share.

C. Stock Options:

Options under the Company's plan are granted at fair market value on date of grant, become exercisable two years after grant and expire five years after grant.

	Number of Shares		Average Price
	Reserved	Outstanding	
Balance, January 1, 1970	449,700	134,875	\$22.31
Granted		31,700	19.50
Cancelled		(15,825)	22.91
Balance, December 31, 1970	449,700	150,750	21.65
Granted		37,500	26.56
Exercised at an aggregate price of \$487,948	(22,075)	(22,075)	22.10
Cancelled		(23,200)	23.40
Balance, December 31, 1971	427,625	142,975	22.59
(74,775 shares exercisable)			21.96

In addition, options to purchase 21,432 shares were outstanding at December 31, 1971 (7,358 shares were exercised in 1971 at an average price of \$4.99 and 3,126 shares remain exercisable at an average price of \$22.46) under stock option plans assumed by the Company in connection with the acquisition of consolidated subsidiaries. No additional options will be granted under these plans.

D. Pension Plans:

The Company has pension plans, primarily non-contributory, covering substantially all of its employees. The total pension expense, including past service costs (amortized over a period not in excess of 30 years from the dates incurred), and current service costs, was \$2,725,000 for 1971 and \$2,438,000 for 1970. The actuarially computed value of vested benefits as of December 31, 1971, exceeded pension fund assets by approximately \$5,000,000.

To the Board of Directors and Shareholders
Square D Company:

We have examined the accompanying consolidated balance sheet of Square D Company and consolidated subsidiaries as of December 31, 1971 and 1970, and the related consolidated statements of net earnings, shareholders' equity and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Square D Company and consolidated subsidiaries at December 31, 1971 and 1970, the results of their operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Chicago, Illinois, February 5, 1972

TOUCHE ROSS & CO.

Comparison for the 10 Year Period 1962-1971

	1971	1970	1969	1968
	(in thousands of dollars)			
Net sales	\$276,372	\$279,888	\$272,004	\$238,700
Earnings before income taxes	58,732	53,786	58,438	51,857
Provision for income taxes	28,505	26,756	31,100	27,231
Net earnings	30,227	27,030	27,338	24,626
Cash dividends	21,631	20,417	20,006	19,987
Earnings retained	8,596	6,613	7,332	4,639
Additions to property and equipment	7,584	9,616	8,918	6,569
Depreciation charge	3,668	4,861	3,702	3,320
Working capital	96,605	94,718	93,621	88,877
Shareholders' equity	146,298	137,312	131,060	123,713
Shares outstanding at end of year	(000 omitted)			
	22,927	22,898	22,886	22,885
	(in dollars per share)			
Shareholders' equity	\$ 6.38	\$ 6.00	\$ 5.72	\$ 5.41
Net earnings	1.32	1.18	1.19	1.08
Cash dividends	.95	.95	.95	.95

Investment and Equities in Unconsolidated Affiliates

	1971	1970	1969	1968
	(in thousands of dollars)			
Investment—at cost	\$ 2,799	\$ 2,799	\$ 2,799	\$ 2,712
Square D equities in:				
Net assets	11,466	11,033	9,959	8,092
Net earnings	1,346	2,177	2,262	2,197
Dividends paid	948	917	618	1,133

Square D Company and Consolidated Subsidiaries

1967	1966	1965	1964	1963	1962
\$227,728	\$229,745	\$209,433	\$176,227	\$151,397	\$142,442
48,493	54,912	51,955	43,562	34,814	31,524
23,606	27,020	25,555	21,849	18,171	16,461
24,887	27,892	26,400	21,713	16,643	15,063
19,907	17,727	16,238	14,546	11,041	10,324
4,980	10,165	10,162	7,167	5,602	4,739
5,362	3,196	3,816	2,978	3,511	3,076
3,298	3,254	3,166	3,051	2,928	2,834
87,889	84,768	73,840	64,463	58,744	53,259
118,162	113,692	103,784	93,387	85,880	79,868
22,799	23,117	22,101	22,078	22,028	21,980
\$ 5.15	\$ 4.92	\$ 4.70	\$ 4.23	\$ 3.90	\$ 3.63
1.08	1.21	1.19	.98	.75	.68
.95	.85	.78	.70	.53	.50

1967	1966	1965	1964	1963	1962
\$ 1,912	\$ 1,912	\$ 1,912	\$ 1,912	\$ 1,949	\$ 1,675
7,243	6,827	5,827	4,981	4,704	3,802
1,290	1,355	1,129	956	590	426
868	360	178	719	-0-	384

Note: Retroactively adjusted to reflect combinations in 1971 and 1970 and stock split in 1966.

Directors

H. R. BOYER
Retired (former Officer,
General Motors Corporation)

JAMES H. BURNS
Vice President—Personnel Relations

PAUL A. CHRISTENSON
Vice President—Manufacturing

*ALLAN D. EMIL
Partner, Rosenman, Colin, Kaye, Petschek,
Freund and Emil, New York. Attorneys

*M. P. KARTALIA
President

*WALTER J. KOHLER
Chairman of the Board, The Vollrath Company
Sheboygan, Wis.

*LYNFORD LARDNER, JR.
Partner, Foley & Lardner,
Milwaukee, Wis. Attorneys

JAMES H. LORIE
Professor of Business Administration
University of Chicago, Chicago, Ill.

*L. G. MAECHTLEN
Former Chairman of the
Board of the Company

*JAMES F. MAGIN
Vice President—Planning and
Physical Distribution

GRANT McDONALD
Vice President—Group Manager

*GRAHAM J. MORGAN
Chairman of the Board,
United States Gypsum Company,
Chicago, Ill.

*T. R. OAKES
Former Vice President—Secretary-Treasurer
of the Company

ANDREW L. PONTIUS
Retired (former President, The Powers
Regulator Company, Skokie, Ill.)

JOHN H. SCHULER
Chairman of the Board
Anderson Electric Corporation

**Members of Executive Committee*

Honorary Director

JOSEPH H. PENGILLY

Officers

M. P. KARTALIA
President

JAMES H. BURNS
Vice President—Personnel Relations

PAUL A. CHRISTENSON
Vice President—Manufacturing

W. R. CLARKE
Vice President—Marketing

E. R. FOWLER
Secretary

ROBERT E. KING
Vice President—Products

JAMES F. MAGIN
Vice President—Planning and
Physical Distribution

J. P. MAYOTTE
Vice President—International

GRANT McDONALD
Vice President—Group Manager

WALTER G. NOLLENBERGER
Vice President—Group Manager

R. E. SHERIDAN
Treasurer—Controller

J. S. VAUGHAN
Vice President—Group Manager

D. E. WILSON
Vice President—Finance

E. R. BECK
Commercial Vice President

R. L. DAGGY
Commercial Vice President

R. A. HEGEMAN
Commercial Vice President

G. R. HUNTER
Commercial Vice President

L. J. MURRANS
Commercial Vice President

W. D. SMILEY
Commercial Vice President

C. R. THOMPSON
Commercial Vice President

R. W. THOMPSON
Commercial Vice President
(Deceased February 1972)

S. T. WALZ
Commercial Vice President

Domestic Operations

Manufacturing Plants

Asheville, N. C.
Cedar Rapids, Ia.
Cleveland, O.
Columbia, S. C.
(Under construction)
Glendale, Wis.
Huntington, Ind.
Lexington, Ky.
Lincoln, Nebr.
Middletown, O.
Milwaukee, Wis.
Oxford, O.
Peru, Ind.
Raleigh, N. C.
(Under construction)
Three Rivers, Mich.

Assembly Plants

Atlanta, Ga.
Chicago, Ill.
Dallas, Tex.
Denver, Colo.
Detroit, Mich.
Los Angeles, Calif.
Seattle, Wash.
Secaucus, N. J.

Physical Distribution System

Warehouse Locations

Atlanta, Ga.
Chicago, Ill.
Dallas, Tex.
Detroit, Mich.
Florence, Ky.
Los Angeles, Calif.
Lyndhurst, N. J.
Omaha, Nebr.
Seattle, Wash.

Wholly-Owned Subsidiaries

Anderson Electric
Clanton, Ala.
Helena, Ala.
Leeds, Ala.
Bell Electric
Chicago
Ferro Fabricating
Birmingham, Ala.
Sorgel Electric
Milwaukee, Wis.

Foreign Operations

Square D Company Canada Limited—Toronto
Manufacturing Plants in Toronto and
Stratford, Ontario; assembly facilities in
Montreal and Vancouver; warehouses in
Montreal, Toronto, Vancouver and Winnipeg
Square D Limited—Swindon, England
Square D de Mexico, S.A.—Mexico City, Mexico
Versamex S.A. de C.V., Mexico City
Square D Italia S.p.A.—Arenzano, Italy
Square D Company Australia Pty.
Limited—Melbourne, Australia
Square D Company Ireland Limited—
Ballinasloe, Irish Republic
Square D Company (Philippines)—
Manila, The Philippines
Square D France S.A.—Paris, France

